DOCUMENT RESUME

ED 330 269 HE 024 356

AUTHOR Yankosky, Richard E.; Andrew, Loyd
TITLE The Proprietary School Sector: A Demographic and Financial Aid Profile.
PUB DATE 3 Apr 91
NOTE 17p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *College Students; Comparative Analysis; Data Analysis; Enrollment; Females; Minority Groups; Paying for College; Postsecondary Education; Profiles; *Proprietary Schools; School Demography; *Student Characteristics; *Student Financial Aid; Two Year Colleges

ABSTRACT

The purpose of this study of the proprietary sector of postsecondary education was to examine in detail exactly what population it serves, types of services provided, and the degree to which financial aid packaging helps students. A representative sample of 3,837 students attending less-than-two-year and two-year proprietary schools in the United States were analyzed. Data were obtained from the fall 1986 National Postsecondary Student Financial Aid Survey conducted by the National Center for Educational Statistics. Among the study results were the following: (1) low-income women and minorities dominated enrollment in short-term, less-expensive training programs while white male aid recipients with higher family incomes enrolled in longer-term, more expensive programs; (2) 79% of all aid recipients in proprietary schools received aid from one or two different sources; (3) aid recipients in proprietary schools received the majority of their aid from federal sources; (4) the typical aid recipient in a less-than-two-year school was unmarried (72%), female (72%), 26 years of age, and attended school on a full-time basis (77%); and (5) the typical aid recipient in a two-year school was unmarried (79%), white (66%), 24 years of age, dependent (55%) upon parents for financial support, and attended on a full-time basis (87%). Conclusions and implications are presented. Contains 9 references. (GLR)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED330269

THE PROPRIETARY SCHOOL SECTOR: A DEMOGRAPHIC AND FINANCIAL AID PROFILE

BY

Dr. Richard E. Yankosky
Frederick Community College
Program Manager of Computer and Information Sciences
7932 Opossumtown Pike
Frederick, MD 21702
(301) 846-2548

Dr. Loyd Andrew
Virginia Polytechnic Institute and State University
Associate Professor
Division of Administrative and Educational Services
University City Office Building
Blacksburg, VA 24061
(703) 231-5111

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Richard Yankosky

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

HE024356

April 3, 1991

This report contains the results of a national study of students attending schools in the proprietary sector of postsecondary education. The study examines who the sector serves, what types of services they provide, and the degree to which financial aid packaging helps those it serves.

BEST COPY AVAILABLE

THE PROPRIETARY SCHOOL SECTOR: A DEMOGRAPHIC AND FINANCIAL AID PROFILE

During the late seventies, the proprietary school sector became an increasingly important and highly controversial sector of postsecondary education. Its growth in terms of schools and enrollments exceeded that of any other postsecondary sector (Andrew and Russo, 1989). The sector, as a result of this growth and low-income levels of the students it attracted, became a major user of federal student financial assistance. For example, in 1974 students in this sector received approximately $3.5 million in Pell Grants or 7 percent of all Pell awards; by 1987 these figures had risen to $783.5 million and 21 percent respectively (Galdieux and Lewis, 1987).

Policymakers and traditional college officials often criticize the proprietary sector because of a number of highly publicized instances of fraud, high default rates of its students on government supported loans, high drop-out rates of its students, and many other transgressions both real and perceived. Advocates of the sector argue that the charges of abuse and fraud are exaggerated. They insist the high drop-out and default rates of the sector result from serving a large group of economically and educationally disadvantaged students which other postsecondary sector schools either do not want to serve or are unable to attract.

Purpose

The purpose of this paper is to examine in more detail exactly who the proprietary sector serves, what types of services it provides, and the degree to which financial aid helps those it serves. More specifically, the study was designed to answer the following questions:

1. What types of training programs are provided by schools in the proprietary sector?
2. What percent of the students in proprietary schools receive financial aid?
3. What are the demographic characteristics--age, gender, race/ethnicity, income, academic background, residency status, dependency status, enrollment status, marital status--of students receiving financial aid?
4. What types of training programs are selected by gender, race/ethnic, and income groups?
5. What types of financial aid packages are distributed to students in these schools?

Method and Data

To answer these questions, data on a statistically representative sample of 3,837 students attending less-than-two-year and two-year proprietary schools in the 50 states and the District of Columbia were analyzed. These data were obtained from the Fall 1986 National Postsecondary Student Financial Aid Survey (NPSAS) conducted by the National Center for Educational Statistics (NCES) in 1986-87.

Data presented in this study were derived from edited NPSAS tapes as of May 12, 1988, and have been weighted to represent the

universe of students attending proprietary schools in the Fall of 1986. The students in the sample attended 299 institutions or 4.6 percent of the 6,439 accredited and nonaccredited two-year and less-than-two-year schools in the proprietary sector of postsecondary education. Students attending four-year proprietary schools were not included in the study because of the limited number of such schools in the NPSAS data base.

The statistical procedures used in performing the analysis included the Statistical Analysis System (SAS, 1988) sort and univariate procedures to develop weighted means for each of the various types of financial aid (by dollar amounts) and each of the educational costs of attendance variables for each type of institution and the entire sector. Next, a Lotus 1-2-3 (Lotus Development Corp., 1987) spreadsheet was built using the SAS generated weighted means to produce a model of a financial aid package for an average student attending each type of proprietary school.

Also, the SAS Tables procedure was used to crosstabulate various curriculum, demographic, institution, education costs, and financial aid variables so that the relationships between variables could be examined.

Findings

Proprietary School Enrollments and Programs

Based on estimates from the NPSAS data, the population of students attending less-than-two-year and two-year proprietary

schools in the Fall semester of 1986 was approximately 577,140; slightly over five percent of the 11,213,433 undergraduate students enrolled in all postsecondary institutions in the Fall of 1986.

It should be emphasized that NPSAS enrollments are for a single point-in-time (October 15, 1986) and represent slightly less than one-half (49%) the total unduplicated number of students who actually enrolled in the two types of proprietary schools in the 1986-87 academic year.

Approximately two-thirds (66%) of students in the proprietary sector were enrolled in less-than-two-year schools. These schools offered at least one short-term program which led to either a terminal occupational award or credits toward a two-year or higher degree. The majority of these programs utilized a clock-hours/contact-hour basis to measure program length and compute financial aid awards.

The remaining students (34%) were enrolled in two-year schools providing postsecondary education and training programs which led to a certificate or associate degree or was creditable toward a baccalaureate or higher degree. Over 80 percent of these programs were offered on a traditional credit-hour basis.

Although proprietary schools offered a wide variety of training programs in 1986, they fell into only eight major categories: secretarial, business-related, electronics-related, cosmetology, computer-related, health-related, building trades, and various other occupational or liberal arts programs. Program

categories were derived from Classification of Instructional Program (CIP) codes developed by NCES in 1981 (NCES, 1985).

Over two-fifths (42%) of all students were enrolled in secretarial and business-related programs with secretarial attracting over one-fourth (27%) of all students. The next most popular programs were electronics-related (13%) and cosmetology (11%). The remaining students were distributed fairly evenly among the other training programs.

For both two-year and less-than-two-year schools, secretarial was the most popular program, attracting 24% and 28% of the students respectively. In two-year schools, the next most popular programs were business (23%) and electronics (21%). In contrast, these programs had only 12% and 9%, respectively, of less-than-two-year students. Interestingly, the second most popular program in less-than-two-year schools, cosmetology (17%), was not offered in two-year schools.

Demographic Characteristics of Aid Recipients in Proprietary Schools

This section provides a demographic profile of the characteristics of students receiving financial aid who accounted for approximately 84 percent of the students in less-than-two-year and two-year proprietary schools in the Fall semester of 1986. These characteristics were chosen to provide a comparison of aid recipients enrolled in proprietary schools with those reported in the literature and, also, to compare students enrolled in each type of school and training program. Several of

the characteristics (dependency status, adjusted gross income, attendance status) were selected also because they are related to receipt of financial aid and the amount of aid awarded.

A comparisons of the demographic characteristics of students receiving financial students with students not receiving aid found the distributions of the two groups to be similar. The only exception was minority students (African-Americans, Hispanics, Asians and others), who were slightly more likely to receive aid than white students (90% compared to 80%), which is consistent with the findings of earlier studies of the sector (Friedlander, 1980, Wilms, 1984). Income data, one of the most important factors in determining the receipt of aid, were missing for over 95 percent of the nonaided students and 18 percent of the aided students thus making comparisons between the two groups impossible.

The large number of proprietary school students applying for and receiving financial aid despite missing adjusted gross income data suggests either record keeping procedures in financial aid offices of proprietary schools are inadequate, or survey instruments and/or procedures used by NCES to collect these data were inadequate. The researcher suspects the former.

Further investigation needs to be conducted in this area to determine where the problem lies. If the problem lies with the schools' record keeping procedures, the Department of Education should monitor these schools more closely since, under federal law, they are required to maintain accurate and complete

information on recipients of Title IV aid. It also may have implications for policymakers to restore the appropriations to schools for the administration of the Pell and Stafford Loan programs which either were reduced or eliminated by the Omnibus Budget Reconciliation Act of 1981.

It was discovered the majority of students receiving aid were unmarried (74%), female (67%), young (median age 22 years old), commuted to school (98%), and attended school on a full-time basis (81%). Nearly one-half (48%) of the fiscally dependent and 70 percent of the fiscally independent aid recipients had annual adjusted gross incomes of less than $20,000 (based on 1985-86 federal Title IV dependency status guidelines). Nearly 30 percent lacked a high school diploma making them poorly prepared academically for most other types of postsecondary schools and programs. Almost 43 percent were from minority backgrounds with over 70 percent of this group having incomes under $11,000.

The typical aid recipient in a less-than-two-year school was unmarried (72%), female (72%), 26 years of age, and attended school on a full-time basis (77%). Almost one-half (48%) came from minority backgrounds and 35 percent lacked a high school diploma. The majority was financially independent (61%) and had an adjusted gross income of less than $11,000 a year.

A typical aid recipient in a two-year school was unmarried (79%), white (66%), female (55%), 24 years of age, dependent (55%) upon their parents for financial support, and attended

school on a full-time basis (87%). Approximately 17 percent lacked a high school diploma. Generally, aid recipients in two-year schools, because of their dependent status, had more family contributions than their counterparts in less-than-two-year schools. Therefore, their entitlement for need-based financial aid was probably less.

Types of Training selected by Gender, Race/Ethnic and Income Groups

It was found that women and minorities with lower individual and family incomes were heavily enrolled in short-term, less-expensive training programs that prepared them for relatively low-paying jobs; while white male aid recipients, with higher individual and family incomes, were heavily enrolled in longer, more-expensive programs leading to occupations that provided relatively higher earnings.

For example, students in the least costly and potentially least income producing occupational programs--cosmetology, health, and secretarial--were almost exclusively women or minorities with low incomes. Moreover, a large proportion of these were black and Hispanic women with low incomes.

By contrast, those students in the most costly and potentially most income producing occupational programs--electronics and building trades--were men, and, in most cases, white men with relatively high family or personal incomes. Relatively high income is an income above the poverty level of approximately $11,000 but not likely to exceed $30,000.

Based on U.S. Department of Labor statistics, average hourly wages in 1986 for cosmetologists, secretaries, and health-related personnel ranged from $3 to $7 compared to the range in average hourly wages for those in electronics-related and building trades fields of $9 to $14 (U.S. Department of Labor, 1986).

Financial Aid Packaging in Proprietary Schools

This section includes a description of (1) types of aid packages (single-source, two-sources, multiple-sources) received by students in each type of proprietary school, and (2) distribution of financial aid and educational costs within the proprietary sector.

Types of Aid Packages. The majority (79%) of all aid recipients in proprietary schools received aid either from a single source (35%) or, at most, two different sources (44%) in their aid packages. About one-third of the recipients in both types of schools received aid from only one source. Of the remaining recipients, those in less-than-two-year schools were more likely to receive two sources of aid (49%), while recipients in two-year schools were more likely to receive multiple sources of aid (29%).

Distribution of Aid. Aid recipients in proprietary schools (like those in other postsecondary sectors) received the majority of their aid from federal sources. The federal government provided about 88 percent of all student aid funds in the Fall of 1986. Most of the federal aid was from Stafford Loans (formerly Guaranteed Student Loans) and/or Pell Grants. Funds from these

federal programs covered over one-half (54%) of an average aid recipient's total educational costs, with monies from the Stafford program covering 37% and the Pell program covering 17% of total costs.

This was contrary to findings of earlier research by Applied Management (1980) and Wilms (1982), who reported that in 1978-79 proprietary schools placed a far heavier emphasis on grants, especially Pell Grants, and a lighter emphasis on loans. This difference is partially explained by the fact their studies were fundamentally flawed. They analyzed data from the Perkins Loan (formerly NDSL) program and did not have data on the more widely used Stafford program, a problem that has plagued many other studies. This difference may also be the result of the federal government's shift in aid policy from a heavy emphasis on grants to an increased emphasis on loans that occurred between 1980 and 1986.

The finding regarding the large proportion of loan funding relative to grants agrees in part with the finding of the most recent study of the sector by Wilms (1983). He reported that funds from the Stafford program covered 19% and the Pell Grant program 12% of an average aid recipient's total costs in 1981-82.

Federal, campus-based aid programs (SEOG, Perkins, and CWSP) played only a small part in assisting proprietary school aid recipients with their educational costs. The limited amount of funds from these programs can be explained in part by a policy that prohibited profit-making institutions from distributing CWSP

funds to students who were working either on-campus or for other profit-making organizations. In addition, proprietary school student participation in the SEOG and NDSL programs also may have been restricted by (1) the limited amount of appropriations for these programs--only 8 percent of all aid distributed by the federal government in 1986 (Galdieux and Lewis, 1987) and (2) the late inclusion of these schools into campus-based programs after other postsecondary schools had captured the majority of available funds.

Other nonfederal sources of aid (state, institution, and private) provided relatively little financial support to students. The only exception was for a small group of students who received three or more sources of aid in their in packages. Generally, these students received an aid package containing a State Grant, Pell Grant, and Stafford Loan. This finding appears to be a function of higher program costs and lower income levels of these aid recipients. It also may be a function of the sample which contained a supplement of schools and students from New York, one of the few states to award state aid to proprietary students. These hypotheses, however, were not tested because the majority (80%) of aid recipients could not be linked to a particular state. For this reason, the NPSAS estimates of state aid distributed to proprietary students should be interpreted cautiously because they may have overestimated the number of proprietary students nationwide receiving state aid.

Conclusions and Implications

These findings support the contention of proprietary school advocates that the sector serves a large and growing segment of our populations (minorities, low-income, and low-achievers) who are not being served by other sectors of postsecondary education, in particular, community colleges and technical schools. But the findings and the related literature raise serious questions concerning the quality and value of the sector's service. For example, findings on programming indicate that proprietary schools (purposely or otherwise) support sexist stereotypes. Financially-aided females were overwhelmingly represented in the lower-paying, traditional female programs or curriculum. For example, 93 percent of those enrolled in secretarial, health, and cosmetology programs were females, a large percent of whom had low incomes. Males, on the other hand, were the majority in higher paying, traditional male occupational programs. For example, 92 percent of those enrolled in electronics and 86 percent of those in trades programs were males. Only in such areas as business and computer-related programs did the traditional sexist stereotyping break-down, perhaps. Women represented 70 percent of the enrollments in business-related programs and 67 percent in computer-related programs.

Second, it appears that high default rates of proprietary school students are what could be expected and do not necessarily represent an unwillingness on the part of the students to repay. More likely, they result from an inability to pay based on the

following conditions: (1) the characteristics of the students--mostly young, mostly ill-prepared academically for postsecondary education, and mostly from low-income backgrounds; (2) the high drop-out rates of these students (probably due to their poor academic backgrounds); and (3) the low-income potential of the jobs for which they are being trained. For example, most proprietary students incurred a relatively heavy debt burden, especially in terms of the immediate and potential incomes they were likely to earn as cosmetologists, secretaries, and even electricians.

The real mystery is why do students (with the tacit approval of financial aid policies) enroll in schools where the debt burden they incur will be unreasonable in terms of anticipated earnings when less expensive community colleges and technical schools (on average between one-third to one-half the cost) are available? The answer is explicit in two aspects of marketing theory: place and promotion. The proprietary schools, through aggressive recruiting programs and convenience of place and time (flexible short-term programs), offset the price advantage of community and technical colleges.

Thus, the federal government is forced to bear a higher share of the proprietary school students' educational costs than would be the case if the community college had successfully sought out and recruited these students. If community colleges had attracted these students, then, the states (and in many cases local governments) would provide a larger share of the

educational costs now borne by the federal government through Pell Grants and highly subsidized Stafford Loans.

It would appear that community colleges and technical schools would better serve themselves and the public by employing more aggressive marketing tactics and developing support services to assist these students (mostly high-risk) in coping with the educational system.

Specifically, they could (1) develop stronger advertising and recruiting programs targeted toward high-risk students, (2) revise course offerings and traditional scheduling practices to provide for more flexible short-term training, (3) seek out high-risk students during the application and recruitment process and provide them with information on tutoring, career counseling, GED programs, and basic skills/developmental programs, and (4) work with financially needy students and their parents to provide attractive financial aid packages containing nonrepayable forms of aid such as grants and work-study to cover the cost of their education.

REFERENCES

Andrew L. D. and Russo, R. P. (1989). "Who gets what? Impact of financial aid policies," Research in Higher Education, 30, 5, 471-483.

Freidlander, M. C. (1982). Characteristics of students attending proprietary schools and factors influencing their institutional choice. Monograph 501. Cincinnati: Southwestern Publishing Company.

Gladieux, L. E. and Lewis, G. L. (1987). The federal government and higher education: traditions, trends, stakes, and issues. Washington, D.C.: College Entrance Examination Board.

Lotus Development Corporation, (1988). Lotus 1-2-3, Version 2.01. Boston, MA: Lotus Development Corporation.

National Center For Educational Statistics (NCES), (1985). A classification of instructional programs (CIP). Washington, D.C.: U.S. Department of Education, Office of Educational Research and Improvement.

National Center For Educational Statistics (NCES), (1988). Undergraduate financing of postsecondary education, a report of the 1987 national postsecondary student aid study. Washington, D.C.: U.S. Department of Education, Office of Educational Research and Improvement.

SAS Institute, (1988). Statistical analysis system (SAS) 1988 Edition. Cary, NC: SAS Institute.

U.S. Department of Labor, Bureau of Labor Statistics, (1986). Occupational outlook handbook, 1986-87. Washington D.C.: Government Printing Office.

Wilms, W. W. (1984). "Expanded access to job training through federal student aid: a national study of proprietary vocational schools and students," Journal of Student Financial Aid, 14, 2, 17-31.